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RUEHKT/AMEMBASSY KATHMANDU 0163  
RUEHNE/AMEMBASSY NEW DELHI 0831  
RUEHCG/AMCONSUL CHENNAI 0074  
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C O N F I D E N T I A L SECTION 01 OF 04 ASHGABAT 000550

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DEPT FOR SCA/CEN (PERRY)

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TAGS: [ENRG](#) [EPET](#) [PGOV](#) [PREL](#) [TX](#) [US](#)

SUBJECT: TURKMENISTAN'S PRESIDENT BERDIMUHAMMEDOV PROMISES  
"STEP-BY-STEP" REFORMS

REF: A. (A) ASHGABAT 259  
[1](#)B. (B) ASHGABAT 489  
[1](#)C. (C) ASHGABAT 520

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Classified By: Charge d'Affaires, a.i. Jennifer L. Brush for reasons 1.  
4 (B) and (D).

Summary  
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[1](#)1. (C) Turkmenistan's President Berdimuhammedov offered PDAS Mann and a high-level USG delegation on May 31 a mix of openness and old thinking. After hearing detailed USG proposals for technical assistance, feasibility studies and experts' exchanges -- all contributing to making Turkmenistan a "global player in the energy field" -- Berdimuhammedov lauded the U.S. delegation's concrete proposals, but showed a sharp allergy to hints of great power competition. In a subsequent session with just Mann and the Charge from the U.S. side, Berdimuhammedov admitted he understood the scope of changes necessary for Turkmenistan to develop a favorable investment climate, and requested that Mann and the USG be more patient with Turkmenistan's need to change gradually. Mann responded that under the current overly-controlling paranoid bureaucracy, business couldn't "breathe," and again encouraged Berdimuhammedov to give a sign of good will. End Summary.

Gas to the Border  
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[1](#)2. (C) On May 31 a high-level USG oil and gas delegation consisting of SCA/PDAS Steven Mann, EBRD Executive Director Mark Sullivan, Department of Energy Director for Russian and

Eurasian Affairs Lana Ekimoff, U.S. Trade and Development Regional Director for Europe and Eurasia Daniel Stein, and CIA Senior Energy Analyst Wendell "Bud" Coote met with Turkmenistan's President Gurbanguly Berdimuhammedov and Deputy Chairmen Rashit Meredov (Foreign Affairs) and Tachberdi Tagyev (Oil and Gas).

13. (C) In response to Mann's request that the delegation had come to Turkmenistan to hear Berdimuhammedov's vision of development of the oil and gas sector in Turkmenistan, Berdimuhammedov cited his May 28-29 visit to Astana and Azerbaijani Foreign Minister Mammadyarov's May 23 to Ashgabat, saying that these visits were a positive step in Turkmenistan's development. Berdimuhammedov emphasized that the May 19 Putin-Nazarbayev-Berdimuhammedov declaration notwithstanding, that "they would not take away" a Trans-Caspian Pipeline from us (Ref B). Berdimuhammedov also noted the recent successful of representatives from Chevron, Shell, BP, Total and Conoco Phillips, saying these visits were indications of world class companies' interest in investing in Turkmenistan. He thanked Mann for his help in encouraging these companies to visit. But in the end, Berdimuhammedov insisted, Turkmenistan's policy would follow late President Niyazov's instruction that gas be sold at the border. "Where it goes after that is not our problem, we don't want to get into politics." Later, however, the president showed interest in a gas sales formula and showed notable interest in a model gas sales agreement Mann conveyed. Mann also passed across a selection of graphs on Eurasian gas supply and transit data, which were received with interest, though at different points Berdimuhammedov decried "politicizing" energy issues. Mann downplayed talk of pipelines, suggested a focus on the upstream and noted that the only political aspects related to supporting Turkmenistan's independence.

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Join the Global Energy and Financial Community  
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14. (C) Mann said that from the USG perspective the main political issue was support for Turkmenistan's sovereignty and independence and to this end enhancement and development of Turkmenistan's hydrocarbon resources and export routes was critical. Mann said that he was pleased international oil companies recently had visited Turkmenistan, but this was just a first step, it was now up to Turkmenistan to attract real world-class foreign investment and the USG was willing to assist.

15. (C) Turning to the delegation, Mann asked the representatives to brief the president on available assistance:

-- DOE - Russian and Eurasian Affairs Director Ekimoff presented the president with an invitation from DOE Secretary Bodman for Turkmenistan's top energy experts to visit Washington and Houston for talks with public and private sector oil and gas experts. Ekimoff noted that this would be an opportunity for the U.S. to share its experience in developing energy policy and to learn more about Turkmenistan's energy vision. The meetings with U.S. companies would highlight their technology and experience in developing projects around the world.

-- EBRD - Executive Director Sullivan informed the president of EBRD's mission of converting ex-communist economies into competitive open market-oriented economies. He described EBRD's activities in the region and emphasized EBRD's shift in focus from the EU member countries to the countries south and east, including Central Asia. According to Sullivan, 45% of EBRD's loans in the past 12 months have been to Russia and 10% to Kazakhstan. Sullivan noted that the bank could provide technical assistance in reforming Turkmenistan's financial and banking sectors and that its board would be

considering a project in the Turkmenistan banking sector. EBRD also had provided financing for the Baku-Tbilisi-Ceyhan pipeline.

-- USTDA - Regional Director Stein briefed the president on USTDA's activities in Turkmenistan and the region and possible technical assistance to Turkmenistan's Oil and Gas Sector, including sending a technical expert to the ministry for a visit to further explore feasibility study and technical assistance opportunities. Stein said USTDA already has assisted Kazakhstan and Azerbaijan in improving oil transportation over the Caspian and was planning to soon commission a feasibility study on Trans-Caspian oil and gas pipelines from Kazakhstan to Azerbaijan. Stein also suggested the possibility of legal technical assistance in negotiating a TCP and in negotiating Oil and Gas Pricing Agreements. Mann added that the current pricing agreement between Turkmenistan and Russia was the exception to standard pricing agreements world-wide, and provided Berdimuhammedov with a sample pricing agreement. Stein said USTDA was assisting Azerbaijan's State Oil Fund in managing its oil revenues. Stein offered USTDA's assistance in organizing the visit to the United States for Turkmenistan's top oil and gas officials, as proposed by DOE, as well as sponsoring an investment conference in the United States. Finally Stein said USTDA could assist in providing training to Turkmenistan's oil and gas specialists. Ultimately, the Government of Turkmenistan would need to identify its priorities for USTDA assistance.

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-- CIA - Senior Analyst Coote told the president he was responsible for providing analysis to senior USG officials on Caspian Sea issues. Coote said that his analysis of Caspian Sea energy development includes both physical security as well as technical challenges to projects, including the impact on a Trans-Caspian pipeline of geologic faults and mud volcanoes on the seabed. Coote added that Gazprom was actively telling European customers that Turkmenistan's gas was controlled by Russia and Turkmenistan would be unable to fulfill any new contracts. Coote said that his assessments of Turkmenistan's Caspian and Amu Darya resources pointed to the need for state-of-the-art exploration and exploitation technology and that U.S. companies already were doing this kind of work.

We're not Communists

16. (C) Berdimuhammedov thanked the delegation for their useful proposals and said his side would consider them seriously. He thanked Ekimoff for the DOE invitation and said Turkmenistan would accept, with details to be worked out by Deputy Chairman Tagyev. Berdimuhammedov noted the annual oil and gas conference, scheduled for December, hosted by the government and said this would be another opportunity for USG experts to come to Turkmenistan and address the conference. Looking at Mann, he said, "yes we lived in communist times, but none of us sitting here ever was a communist."

Do Something

17. (C) Excusing the rest of the delegation from the meeting, Mann told the president that the USG was sincere in supporting the development of Turkmenistan's oil and gas sector and proposed the following:

-- Actively soliciting the government's proposals for how the USG could assist with development,

-- Supporting Turkmenistan's development through additional visits and conferences and also by providing support for energy security and protection of infrastructure,

-- Providing assistance in "reconnecting" with the international financial sector, including, but not limited to, EBRD,

-- Assisting with delimitation efforts with Azerbaijan and Kazakhstan, but only/rpt/only at Turkmenistan's request, and

-- Assisting with developing the domestic financial sector infrastructure requisite for attracting foreign direct investment (FDI).

¶8. (C) "You have to do a few things too," Mann continued, in order to attract FDI, specifically:

-- Facilitate the visits of international companies.

-- Continue productive talks with Azerbaijan and Kazakhstan.

-- Re-orient Turkmenistan's development model away from the current "sell at the border to Gazprom model," to a series of gas sales agreements with the end-user.

-- Make it easier for businesses to "breathe" in Turkmenistan by addressing the huge paranoid government control over all avenues of life. Specially Mann noting the overwhelming

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presence of Turkmenistan's security organs, as well as difficulties in obtaining visas and in general government obstruction of exchange programs.

-- Register the Ashgabat International School, "businesses will only come here if there is a legitimate international school."

Can't Break Everything at Once

¶9. (C) In response, Berdimuhammedov said, "We can't break everything at once." He urged Mann to inform Washington that he, Berdimuhammedov, had to move step by step, but added, "You will have positive outcomes to all your points."

¶10. (C) Tipping his hand as a vehement nationalist, Berdimuhammedov reminded Mann that he had worked with USG exchange programs for six years while Deputy Chairman for Education, Health, Culture and Science. "The problem with your programs is that you don't focus entirely on pure ethnic Turkmen. Why do you bother with those other nationalities, our future is just with our Turkmen. More than half of the children you send on exchange programs are non-ethnic Turkmen." (Comment: This rant was all the more astonishing as his half-Azeri, arguably second-in-command Foreign Minister Meredov sat silently by his side. End Comment.) Mann responded that the USG only looked at citizenship not nationality and that the U.S. would never administer the program any other way.

¶11. (C) Specifically addressing government control, Berdimuhammedov said "we're working on this, don't worry; Minister Meredov and your Charge know of specific steps we're planning to take. (Comment: Berdimuhammedov may have been referring to a circuitous message from the Ministry of National Security that the black list would be abolished (ref c). End Comment.)

¶12. (C) Mann responded that he had been coming to Turkmenistan since 1980 and that he had explained to high policy levels the need for patience during this Turkmen transition, but he was met in return with the question, "when are they going to do something?" His message remained that the USG needed to see concrete steps that Berdimuhammedov was serious about reform.

Comment

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¶13. (C) The timing of Mann's visit apparently was carefully choreographed to follow events leading up to the Tripartite Agreement on enlarging a Caspian littoral pipeline and also overtures to Azerbaijan and Kazakhstan on a Trans-Caspian pipeline and delimitation. Berdimuhammedov's administration is lacking in oil and gas know-how, and the easy solution would be to fall back into bed with Gazprom. The challenge to the United States and Europe is to remain engaged with Berdimuhammedov on energy, as on the full range of issues, while continuing to push for actual steps forward. Getting his people to the United States and continuing to send well-targeted oil and gas and investment climate experts to Turkmenistan is essential both to developing local expertise and acclimating Berdimuhammedov's government to dealing with challenges of attracting real foreign investment. End Comment.

¶14. PDAS Mann has cleared this cable.  
BRUSH